



Moving Forward:
Sino-U.S. Relations and Regional Security



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Pacific Forum CSIS

Based in Honolulu, the Pacific Forum CSIS (www.pacforum.org) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, DC. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate arenas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

The Young Leaders Program

The Young Leaders Program invites young professionals and graduate students to join Pacific Forum policy dialogues and conferences. The program fosters education in the practical aspects of policy-making, generates an exchange of views between young and seasoned professionals, promotes interaction among younger professionals, and enriches dialogues with generational perspectives for all attendees. Fellows must have a strong background in the area covered by the conference they are attending and an endorsement from respected experts in their field. Supplemental programs in conference host cities and mentoring sessions with senior officials and specialists add to the Young Leader experience. The Young Leaders Program is currently supported by Chevron, the Henry Luce Foundation, and the Yuchengco Group, with a growing number of universities, institutes, and organizations also helping to sponsor individual participants. For more details, see the Pacific Forum CSIS website, www.pacforum.org, or contact Brad Glosserman, director of the Young Leaders Program, at bradgpf@hawaii.rr.com.

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The views expressed here represent personal impressions and reflections of Young Leaders program participants; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes

Introduction

By Brad Glosserman

The U.S.-China Dialogue on Security Relations has been an especially rich and productive discussion. The participants have met eight times in the last nine years to assess the two countries' views of regional security concerns, their bilateral relationship, and how the two can work together to deal with those issues. Given the centrality of the two countries to the future of the region, it has been particularly valuable to bring the next generation of scholars and security experts into the room to hear their seniors and provide their own assessment of the bilateral relationship.

The essays in this volume provide a Young Leader perspective on the two days of discussions – Qinghong Wang's summary is an excellent breakdown of the views by country or region – as well as memos by Chinese, American, and “third party” Young Leaders to the next president on how they think the U.S.-China relationship should proceed.

Chinese YLs encourage the next president to maintain the engagement policy that has guided U.S. approaches to China for several decades. They want to see the U.S. and China working more closely together, across a range of issues, to bring their collective resources to bear on problems. They want Washington and Beijing to serve as models for other countries and to demonstrate their responsibility for solving international issues. Most significantly, they want to see the two countries broaden their two societies' mutual engagement so that the relationship deepens and thickens. They want greater interaction on the grassroots and civil society levels.

U.S. Young Leaders took up the five most important challenges and opportunities for the U.S.-China relationship. What are the biggest issues for bilateral relations and what can be done about them? In a sign of a differing generational perspective, our YLs put the U.S. financial situation at the top of their list; most seniors would have prioritized the potential for “great power conflict.” The discussion of opportunities was intended to highlight the easiest areas of cooperation that would pay benefits. Here they pressed the next administration to both better exploit existing avenues for cooperation – dealing with North Korea – as well as open new ones.

Finally, a group of Young Leaders from U.S. allies and partners in Asia provided their view of the desirable trajectory for the U.S.-China relationship. They acknowledge China's growing role and status in the region, but also highlight the problems the government in Beijing must face as it continues to develop. They urge the two countries to continue to cooperate and not force countries in the region to take sides between the two. They also provide a detailed and perceptive agenda for the next administration. Most significantly, they urge the U.S. to abandon the balance of power thinking that has dominated decision making and embrace a more cooperative approach.

As always, our Young Leaders provide thoughtful and forward-looking assessments. They deserve attention not only for the quality of their work, but for the insights they provide on how the next generation sees critical security questions and the best ways to solve these problems.

Young Leaders Program Report

By Qinghong Wang

Pacific Forum CSIS and Fudan University invited a group of young scholars and professionals, not only from the United States and China but also from East Asia, Southeast Asia, and Europe as third parties, to observe and participate in their 9th annual U.S.-China relations dialogue. These Young Leaders (YLS) candidly and comprehensively exchanged their perceptions on the opportunities and challenges of the bilateral relationship and their regional and global impacts. A series of suggestions for a better bilateral relationship are provided by the YLS for both Beijing and Washington. Their insights show a clear generational gap with their seniors and add weight to the discussion of the conference.

Chinese YLS' Opinions

Some Chinese YLS believe that a long-term, positive, comprehensive, and strategic assurance by the U.S. of China's rising is crucial to the peaceful development of China and constructive bilateral relations. They think Beijing has determined to be both a regional and global leader. Any ambiguity about Beijing's international role or any reluctance to treat Beijing equally and respectfully by Washington will worsen the frustration of Chinese elites and strengthen Chinese nationalism. In order to reduce the legitimacy of Chinese hardliners' claim of liberating China's development from U.S.' "containment," Washington should clearly announce its strategic assurance toward China's rise as soon as possible. A "mutual strategic partnership" should be announced by the U.S. and China, even though both sides still have strong ideological disagreements, among many other differences.

Other Chinese YLS do not think Beijing has a clear idea about its future role in the region and the world, yet. Instead, they believe, in the next several decades, China will mainly be introverted, focusing on its huge domestic challenges. They believe the year 2008 provides tremendous lessons for the Chinese government on how to balance managing international affairs and addressing domestic issues.

Some Chinese YLS emphasize the necessity of establishing a multilateral security mechanism in Northeast Asia dealing with regional security issues. The Six-Party Talks is a good model of this multilateral mechanism. It should evolve from primarily dealing with North Korean nuclear crisis into addressing all regional security issues. Beijing and Washington can gradually build mutual trust through communication and coordination within this multilateral security mechanism.

Other Chinese YLS emphasize the importance of people-to-people relations for strengthening overall mutual trust between two countries. They urge the U.S. to reform its visa policies to promote bilateral communication at the people's level.

All Chinese YLS urge both countries to take the lead in mutual cooperation to deal with nontraditional security issues, such as disaster relief, global warming, and food security. Nowadays, nontraditional security issues are much more pressing threats than traditional

security issues. The cooperation between the current superpower and the rising great power in these will not only have tremendous impact on those problems but will also create a cooperative atmosphere in traditional security areas.

Finally, all Chinese YLs strongly oppose the over-moralization of “democracy.” All Chinese, like all Americans and other nations in the world, long for and strive for “good governance,” which is the essence of “democracy”. But promoting “democracy” with a black-white value-judgment that uses only one’s own lens will greatly discourage constructive cooperation on the development of “good governance” by the two countries.

American YLs’ Opinions

Some American YLs are greatly concern about the Cold War mentalities of Chinese and American seniors, which are not only outdated but also dangerous for the bilateral relationship. The U.S. seniors’ consideration of Taiwan as a U.S. security partner and the Chinese seniors’ consideration of North Korea as a PRC buffer zone belong to this type of Cold War thinking, which should be abandoned by both sides. And both seniors should learn to respect each other’s right to express their own opinions even when they strongly disagree with each other.

One U.S. YL believes that a major problem for Asian regionalism is that China and the U.S. do not yet trust each other, especially when that country is not part of the discussion. The U.S. is suspicious of the Shanghai Cooperative Organization and the East Asia Summit and China is suspicious of U.S. alliances and ideas like the Quad which would bring together the U.S., Japan, Australia, and India. Since it's not possible or efficient to be together at every table, how China and the U.S. get to a level of trust where each trusts the mechanisms it is not involved in are not aimed against it is critical. He argued that, if both countries can have more cooperation on global anti-terrorism, there will be more mutual trust.

Although agreeing that the U.S.-China strategic relationship deserves more discussion by both sides, one American YL said it should not be the U.S. alone but the whole international community that defines the future role of China in the world. Another U.S. YL wondered China’s reactions if U.S. power greatly shrinks or the next administration strategically retreats.

One American YL argued that pending U.S. arms sales to Taiwan are militarily meaningless for the cross-Strait relations. China should not make a big fuss over this kind of deal. U.S.’ concerns about leaking advanced military technologies from Taiwan to mainland China and the U.S. desire to appease both sides of the Strait prevent Washington from selling meaningful weapons to the island.

Finally, one U.S. YL suggested the experiences of democratization in Taiwan and Hong Kong are quite meaningful for the future democratization of mainland China. Given the similar cultural backgrounds, Beijing should pay attention to the lessons of democratization in Taiwan and Kong Hong.

Third Party YLs' Opinions

One third-party YL urged China and the U.S. to think about their bilateral relationship in the context of ASEAN mechanisms. Another third-party YL suggested both countries deal each other with the EU in mind. He also thinks China should not only use the U.S. as its development model, but should also learn from the European experience. The same Young Leader suggested Beijing learn from Tokyo's experience in winning the trust of Washington, such as creating more jobs in the U.S. by Chinese investors.

All third-party YLs believe better people-to-people relations are key to bilateral relations between the U.S. and China. One YL suggested that the U.S. government loosen its control over the entry of Chinese citizens and establish a U.S.-China fund to promote people-to-people communications. Another YL thought that both countries should work on short-term urgent traditional security issues, such as nonproliferation, while they focus on facilitating long-term people-level relations.

One third-party YL called on both China and the U.S. to show more responsibility and leadership on global environmental problems and global energy issues. As the largest energy consumers, the cooperation of these two countries will determine the fate of global efforts to address those issues.

Finally, one third-party YL commented on the influence of the media in U.S.-China relations noting, "the Media is not only targeting on China. The media in general has its own problems being objective. Media show both positive and negative parts of China. People are too stupid to totally trust the media."

The Consensus by All YLs:

- (1) Both countries should promote people-to-people relations;
- (2) Both countries should cooperate on a traditional and nontraditional security issues;
- (3) Both countries should have more constructive and equal dialogue on "good governance";
- (4) Both countries should get rid of Cold War mentalities;
- (5) Both sides should work on defining a long-term strategic relationship with each other.

A Memo for the Next President of the United States from a Younger Chinese Perspective

By Shanshan Wang, Fan Li, Qinghong Wang

Given the significance of maintaining the current good momentum of bilateral relations, the United States should continue “embracing China” as its guiding principle of its China policy. Given the interdependence the two countries have established, neither can afford the cost of a deteriorated relationship economically, politically, and socially. Confrontation of any sort is not in the interest of either country.

From the younger Chinese perspective, we sincerely look forward to better cooperation and deepened mutual trust between the two countries. However, due to the divergent political systems and cultural traditions, misunderstanding is still rampant. Therefore, we would provide following policy proposals for the next administration of the United States.

- As the next president could be the first African-American president in America’s history, the whole world is cheering for this historical moment as a great victory against racism. When it comes to ‘ideologism’ however, do not judge China (or the Chinese people) by its ideology. The U.S. should restrain from the tendency to “moralize about democracy” in its China policy. More flexibility regarding value systems should be taken into consideration: constructive dialogues on human rights and democracy between the two countries should be encouraged both at the governmental and people-to-people level. The U.S. should also take the lead in institutionalizing such dialogue mechanisms and should regard this effort as a signature part of comprehensive confidence building measures (CBMs). Meanwhile, Washington should avoid linking the democracy issue with other China policies, such as Taiwan or Tibet.
- The U.S. should strengthen functional cooperation with various agencies of the Chinese government both at the central and local levels. Horizontal cooperation including cooperation in law enforcement, energy efficiency, and new energy development should be encouraged. This cooperation will help the capacity building of various departments in the Chinese government and benefit the U.S. in the long run.
- As two great powers, the U.S. and China should take the lead in addressing pressing issues such as global warming and the energy/food crisis. The world’s aspiring leaders should have the courage to openly discuss whether the biggest polluters should bear more responsibility or whether the powerful and capable players should take more actions. Both countries should take responsibility and behave as a good model for other countries.

- The U.S. should increase government funding for programs aimed at strengthening people-to-people exchanges between China and the U.S. More funds should be assigned to support programs that promote rural development in China;
- The U.S. should seek more creative ways to establish new channels to demonstrate goodwill towards the Chinese people. Cooperation in media and public diplomacy should get more attention.
- The U.S. should lower requirements for the Chinese that seek a U.S. visa. Even if it is impossible to include China in its visa waiver program, the U.S. should take the initiative in starting dialogues to simplify the visa application process for Chinese traveling to the U.S. After Koreans, shouldn't China be next for waivers?!
- The U.S. should seek dialogues in “soft power co-management.”
- The U.S. should provide China with more long-term strategic assurance regarding its future regional and global role. The “responsible stakeholder” concept might evolve into a new concept of the “major responsible stakeholder” to show both the space and responsibilities inherent China’s development.
- The U.S. should increase military-to-military communications and cooperation with China in all aspects, such as space programs, disaster relief, maritime security, anti-terrorism, and nuclear nonproliferation. Young military personnel exchange programs and joint disaster relief drills should be at the top of the list. The U.S. should also support the establishment of a multilateral security mechanism based on the Six-Party Talks model in Northeast Asia.
- Economically, the U.S. should manage the devaluation of the dollar and the financial crisis with a more open attitude, instead of embracing protectionism attitude toward China, and allow more Chinese investment in the U.S., and sell more high-technology products to China.

The Next Five Years in U.S.-China Relations: Challenges, Opportunities and Recommendations

By Dianna Hummel and Justin Bishop

This paper highlights the five most important challenges and opportunities for U.S.-China relations in the next five years. These problems and prospects are presented in order of descending priority, which was determined by assessing the potential cost, likelihood, and significance of each issue. For problems, the issue of highest priority exhibited high potential costs for the United States and the U.S.-China relationship, high likelihood of occurrence or salience, and is significant, including spillover effects in other areas. On the opportunity side, the highest priority issue is one that has low costs for each country relative to benefits for the future of U.S.-China relations, a high level of feasibility, and a high level of significance in the broader context of U.S. national interests.¹

Problems²

American Debt: Potential cost: high, Likelihood: high, Significance: high

Rising U.S. debt and a complex web of related issues pose the most serious challenge to U.S.-China relations in the next five years. Already, there are notable frictions in U.S.-China relations intertwined with the debt problem. U.S. political rhetoric has helped foster a perception that China significantly contributes to U.S. economic woes. U.S. public opinion blames China for the loss of U.S. manufacturing jobs and the export of tainted goods. Americans are also concerned about the Chinese takeover of U.S. assets and the amount of U.S. debt held by China.

Domestic and international issues combine to affect the ballooning national debt. This debt creates national concerns such as being unable to deliver on Social Security and health care benefits, which could lead to a public welfare crisis.

Mitigating the debt issue is largely the responsibility of the U.S. To address this costly, likely, and significant problem, the next U.S. administration should consider:

- Aggressively cutting wasteful spending to trim the government deficit;
- Reform entitlement programs by reorganizing benefits, streamlining agencies, privatizing selected areas, holding down costs and incentivizing personal savings;

¹ The authors recognize that one's problem can be another's opportunity. We try to identify the most potentially costly, likely, and significant problems (which tend to be chronic/enduring) and suggest policies to ameliorate them. Then the report identifies beneficial, feasible, and significant opportunities (which tend to be areas with low-hanging fruit or some yet unrealized mutually beneficial interests) and recommends policies to pursue those opportunities. Cost/benefit analysis includes economic, political, and diplomatic dimensions; likelihood encompasses the probability of being a main agenda item, the probability of a measure being accomplished, or the probability of a crisis; significance generally refers to the extent to which the issue affects U.S.-China relations and offers implications for broader U.S. interests.

² Prioritized from most challenging to less so.

- Gradual tax adjustment to balance the U.S. budget, aiming to begin repaying debt in five years;
- Minimize tax increases that would weigh heavily on economic growth by taxing areas prone to speculation and outsourcing overseas;
- Ratify free trade agreements and jumpstart WTO negotiations to increase opportunities for U.S. exporters and decrease the trade deficit;
- Conduct public awareness campaigns geared against wasteful consumption, toward encouraging personal savings, and toward understanding the benefits gained through economic interdependency and international trade (including with China);
- Investigate and punish predatory/manipulative schemes by credit card companies and other lenders;
- Allow use of international banks and sovereign wealth funds, including those of China, to provide liquidity to the U.S. financial system;
- Reject harmful protectionist policies based on incorrect information regarding the loss of the U.S. manufacturing base.

PLA Power Projection: Potential Cost: high, Likelihood: moderate, Significance: high

The likelihood of a direct military conflict in the next 10 years between the U.S. and China is low. However, increasing power projection (mid to large scale in 15 years) of China's People's Liberation Army (PLA) brings a greater likelihood of miscalculation and misperception with the U.S. and the Asia Pacific region. Misperception is already prevalent, evidenced by recent U.S. and other countries' military documents asserting Chinese military modernization is a potential threat. This assessment in turn spurred reciprocal conventional weapon systems development programs in the U.S. A high level of distrust and political decisions from both China and the U.S. that discourage mil-to-mil contacts demonstrate dissatisfaction in the bilateral relationship further aggravate this trend.

The reality is in stark opposition to these views. China's military modernization program is impressive, yet it remains substantially distant from current U.S. capabilities and advanced development. The large majority of China's increased military budget goes toward training and personnel programs such as housing. Additionally, the majority of China's weapon systems acquired from Russia is generally of export quality and China's ability to make quality weapons is also low. Further, reports from recent Chinese exercises indicate that China's ability to effectively deploy its military and to maintain its weapon systems is also questionable. In effect, Chinese military forces are in no state to engage in medium- to large-scale expeditionary ventures in the next five years.

Still, misperceptions and suspicions persist. To the U.S., this is largely fueled by a continual Chinese military buildup without clarity of purpose or intent. These views encourage most U.S. services to plan for China contingencies not China engagement opportunities. This report recommends:

- Increased and enhanced mil-to-mil exchanges at all levels to provide officers and non-commissioned officers greater understanding of each others' militaries.

- SLOC cooperation in the Straits of Malacca and Gulf of Aden with potential to develop into regional cooperation.
- Disaster relief coordination and related policy-coordination to increase transparency and camaraderie (This relates to transparency in the sense that U.S. troops seeing and working with Chinese troops – and vice versa – rather than just intelligence reports to intelligence professionals, policymakers, and decision makers)
- Encourage China to increase transparency: Articulate what type of military they want in five, 10, 20 years, similar to declassified U.S. documents which provide such information and strategic vision.
- Cooperate with China on counter-terrorism exercises and limited intelligence sharing, particularly in South Asia (and Africa, Central Asia, and certain areas of the Middle East).

Mismanagement of Taiwan Issue: Potential cost: high, Likelihood: moderate, Significance: high

A cross-Strait crisis over Taiwan is one of few scenarios that could bring the PLA and U.S. military into direct confrontation. Though the likelihood of military conflict over Taiwan is low, issues such as arms sales and Taiwan's international space will present challenges to the cooperative agenda for U.S.-China relations in the next five years. As such, good management is critical while mismanagement of the Taiwan issue poses high potential costs to the bilateral relationship and beyond.

Since 1995, both the U.S. and China have done a reasonable job helping to mitigate tensions across the Taiwan Strait. Each side has, in the past, tested the boundaries of action has settled into a holding pattern where management of the issue has become more important than the issue itself. Despite better management in recent years and a more conciliatory Taiwan president, the Taiwan issue remains of high significance to both the U.S. and China and can quickly and suddenly deteriorate relations and regional stability.

Recommendations for continued good management of the Taiwan issue:

- No arms sales, unless deemed necessary for Taiwanese defense by U.S. military commanders.
- Conduct close coordination with all parties and actively encourage continuous dialogue.
- Reassure Beijing of its importance to the U.S. and demonstrate sensitivity to Taiwan issue.
- Encourage China to accept rather than decline invitations where a Taiwan delegation will be present.
- Review arms sales agreements and eliminate all purely offensive weapons, such as the Apache Helicopter.

Human Rights: Potential cost: high, Likelihood: low, Significance: high

Human rights issues will remain a point of contention for U.S.-China relations in the next five years. These issues are difficult to address due to differing perspectives of what each society considers its' core values. While the U.S. places liberal human rights before social harmony, China's puts societal harmony above all else. Complicating matters further, Chinese leadership views U.S.-perceived human rights issues as threats to internal security. Meanwhile, U.S. public opinion and international awareness of Falun Gong, Tibet, and the Dalai Lama drive the American side, as many private, public, and non-profit groups follow the plights of these players.

Though human rights problems inside China are serious and ongoing, the likelihood of another Tiananmen Square incident is low. The potential cost and significance is high, however, because major human rights abuse or a crisis involving political or religious freedoms or breakaway dissidents could severely complicate U.S.-China trade relations, government-to-government cooperation, and evaporate goodwill between Chinese and Americans.

This report recommends the following to advance in the area of human rights:

- Advocate good governance not democracy or American definitions of an ideal form of government.
- Hold bilateral dialogues that include NGOs and government representatives.
- Conduct capacity-building through coordinated NGO activity within China to assuage local problems, especially in areas where Chinese government services could be strengthened.
- Demonstrate U.S. recognition of Chinese human rights progress over the last several years.
- Encourage adherence to international human rights standards, including those against torture and unjustified imprisonment. The U.S. could move to reclaim the moral high ground in this area by closing the Guantanamo Bay facility.

Chinese Regulatory Policy for Foreign Companies: Potential cost: moderate, Likelihood: high, Significance: moderate

The potential cost of Chinese regulatory policy of foreign overall companies is moderate because costs to U.S. companies and investors are significant but effects for the U.S. economy, while important, remain marginal. Likelihood of conflict over this issue is high because Chinese enforcement of international property rights, tariffs, fees, lack of rule of law, and pervasive corruption are already clear challenges. Significance is moderate because a flare up on these issues could preoccupy U.S. and Chinese officials who would otherwise be focused on areas of cooperation.

Recommendations:

- Encourage U.S. companies to diversify (not all eggs in China basket).
- Encourage corporate responsibility and accurate reporting from multinational corporations so as not to mask problems in China.
- Press Chinese officials in Strategic Economic Dialogue to pursue regulatory reform.
- Take cases to the WTO as necessary.

Opportunities

Increased Coordination on North Korea: Benefits: high, Potential cost: moderate, Likelihood: high, Significance: high

North Korea's nuclear program presents a proliferation risk that could destabilize the Korean Peninsula and spark an arms or offensive doctrine race in East Asia. The U.S. is most concerned about North Korean nuclear material and know-how falling into the hands of terrorists; cooperation with China holds that threat in check. DPRK is economically (and somewhat diplomatically) dependent on China and at the same time highly concerned with its relations with Washington; U.S.-China cooperation is key for exercising leverage on North Korea.

China and the U.S. share interests vis-à-vis North Korea; continued and increased coordination is feasible, despite actual progress with North Korea usually proving tentative and painfully slow. There is high significance in solving this problem because North Korea represents both a potential flashpoint for the region and a challenge to the global non-proliferation regime. U.S.-China cooperation on this issue may have positive spillover effects for cooperation on other security issues, and five-party cooperation lays the groundwork for a meaningful Northeast Asian security mechanism, important for productive East Asian multilateralism. Perhaps the most important potential cost to be aware of (and avoid) is the impact on U.S. relations with Japan and South Korea when North Korea tries to implement "wedge tactics" toward U.S. allies.

Recommendations:

- The next U.S. administration should continue the Six-Party Talks framework without delay and coordinate with China on getting North Korea to accept and implement a verification regime for its nuclear dismantlement.
- Given the current rumors about Kim Jong-il's health, China, the U.S., South Korea, and Japan should increase coordination regarding Six-Party Talks goals, North Korea contingency plans, and strategies to keep the talks going in case of North Korean leadership change.
- The U.S. and China should look at coordination on the North Korean nuclear issue as a foundation for future joint nonproliferation efforts and cooperation.
- China and the U.S. should coordinate with other members of the Six-Party Talks on contingency plans dealing with North Korea.

Product Safety: Benefits: moderate, Potential cost: low, Likelihood: high, Significance: moderate

Product safety has been a growing concern in the U.S. and China. These issues are both domestic, such as the recent Chinese baby powdered milk scare and U.S. salmonella scare, and international, such as the pet food incident in 2007. Such incidents have not only shaken consumer confidence, but they have also soured bilateral relations. Joint efforts to increase the safety of products shipped to and from China and the U.S. would help protect consumers and avoid product safety scandals that have hurt U.S.-China relations. Cooperation in areas such as joint inspections, joint training, a transparent investigation process when product safety issues were found, and quick joint action would yield the additional benefit of increased government to government and people to people contact while positive press coverage of these efforts would help improve the image of both countries.

Recommendations:

- Inter-agency cooperation (FDA, customs, etc.) with Chinese counterparts.
- U.S. and China publish plans for a transparent investigation process when product safety issues occur.
- U.S. and China allow for product safety and regulation training for inspectors, business representatives, and labor representatives in both China and the U.S.

Coordination of Foreign Aid: Benefits: moderate/high, Potential cost: low, Likelihood: high, Significance: moderate

Recently there have been a number of natural disasters and humanitarian situations requiring worldwide response and assistance. This year alone, U.S.-Chinese coordination in the aftermath of a devastating earthquake in China highlighted the potential and effectiveness of U.S.-Chinese collaboration. As a soft power issue, the overall benefits and significance are moderate compared to other opportunities. Nevertheless, increased collaboration of this sort – whether responding to disasters or humanitarian situations in each of these countries or elsewhere – demonstrates that partnership is possible and sets a precedent for coordinated effort, trust, and confidence. This foundation is critical in times of tension or crisis and could aid improve transparency regarding intent in other areas such as enhancing military capabilities, aid policies, and response practices.

Recommendations:

- Identify possible disaster and humanitarian response situations where coordination of foreign aid is possible.
- Respective aid agencies and NGOs coordinate supply and response teams based on possible scenarios.
- Exchange USAID officials with Chinese counterparts so aid workers can become aware of the other's agency culture to mitigate cultural or bureaucratic misunderstandings.
- Cooperation at donor conferences.

- Get solidarity on issue via joint statements at U.S.-China presidential summits.

Energy Efficiencies: Benefits: high, Potential cost: high, Likelihood: low, Significance: high

The benefits of U.S.-China energy efficiencies efforts are high. China is extremely energy *inefficient* and its energy demand is growing much faster than global supply. U.S. also needs to take serious steps in the same direction.

An objective look at U.S. and PRC future energy requirements shows similarities in their respective energy needs. Increasing energy efficiency through technology sharing offers the potential for high and significant benefits, though the likelihood of this occurring is low due to the difficulties of coordination and computer compromises such collaboration would require. This effort would have high costs – both monetary as well as intellectual property rights (which also continue to be an area of contention for U.S.-China relations, even if not making this list).

Recommendations in this area are listed as joint U.S.-China efforts; however, given the scope of this issue, they can easily be enlarged to encompass multilateral, regional, and global efforts:

- Civil society links between environmental activists and energy efficiency groups.
- Technology cooperation in energy efficient technology and joint development of new products.
- Public education on ways to save energy.
- Joint efforts that focus on harnessing the potential of U.S. and Chinese coal reserves.
- Both countries should encourage building of new heavy-crude oil refineries. There are simply not enough to meet the world's growing demand.
- Set hard targets for energy savings.

Increase Efficiency in Visa Process: Benefits: moderate/high, Potential cost: moderate, Likelihood: low, Significance: moderate

Increase efficiency in the visa process means having standard and transparent rules for business, vacation, and student visas. It would also mean having a streamlined, transparent, and expedited visa service for official travelers. This would have high to moderate benefits: would allow for smoother commerce, cultural, and governmental exchanges. Increasing efficiency in the process would require a financial and human resources upgrade at USCIS and immigration reform laws in the U.S., which may prove difficult because of political concerns about illegal immigrants. However, if reforms focus on the types of visitors identified above, political opposition would be minimal. In China this would mean clear policies on who would be allowed a visa and no drastic change into visa policies such as was seen prior to the Olympics. While this is a small issue that would have a positive spillover on overall U.S.-China relations, the likelihood of such action is low.

Recommendations begin with trial program/study.

- Build domestic political consensus on immigration reform.
- Make the case for U.S. economic benefits.
- Enlist workers who are currently part of the visa process to devise a process and control mechanism over any new visa process.

**Memorandum for the Next U.S. President:
Managing U.S.-China Relations**
By Shiu-an-Ju Chen, Chin-hao Huang,
In-Seung Kay, and Raymund Jose Quilop

Dear Mr. President,

On behalf of Young Leaders from U.S. allies and associates in Asia, we would like to share our views on U.S. policy toward China in the next four years.

The rise of China on the global stage is both a unique challenge and opportunity for U.S. foreign policy. China is growing economically. Commensurate with this economic growth is a growing political and military role in global affairs.

China's economic boom has attracted investment and created business relationships from across the world. At the same time, it is increasing its own investment in and beyond East Asia. As evident in the Six-Party Talks and regional cooperative initiatives such as the Shanghai Cooperation Organization, China is showing diplomatic clout and continues to build its political reputation. In East Asia, analysts share the view that a new regional order is being shaped, with China having a greater role to play in it.

Behind its astonishing development, however, China faces problems. The pursuit of rapid industrialization for more than three decades has resulted in social, political, and economic problems such as poverty, unequal regional development, migrant workers, demands for legal and health care reform, a widening wealth gap, pollution, environmental protection, etc.

Those issues not only affect China's domestic and regional stability, but its relations with the U.S. too. China's unyielding demand for oil and energy also alarms major industrial countries with resource competition becoming a likely possibility. The Chinese government's volatile relations with ethno-cultural minorities cast shadows over Beijing's record on human rights and civil liberties, creating negative images of the country. Strong nationalism tends to erupt in China when disagreement with the West or her neighbors is visible, be it an issue of democracy, history, or different territorial claims. Failing to manage any of these issues will challenge stability in China and the region.

As two major powers, the U.S.-China relationship has broad consequences. The last thing other states want to see is a confrontation between Washington and Beijing in which states, will be forced to take sides. Thus, we hope the two powers maintain a stable relationship and devote their energies to building a more closely linked global community to better protect their common interests and prevent conflicts.

To this end, we recommend that the U.S. pursue an embracing but disciplined approach in managing U.S.-Sino relations. We hope that the next U.S. administration will balance U.S. goodwill and strength to maintain stability in Asia and help China be further

integrated into the international community, not a potential source of global stability, but as a key partner in keeping the world secure, peaceful and prosperous.

Suggestions for the U.S.-China relationship:

First, Washington should devote greater time and effort in working with its partners and allies in the Asia-Pacific to consolidate its presence in the region and further welcome China into the international system. Second, it should improve bilateral cooperation with China.

In specific terms, working with partners and allies in the Asia-Pacific region to consolidate U.S. presence in the region and to further welcome China into the international system necessitates:

- i. Strengthening Washington's bilateral and multilateral partnerships in the region, reaffirming the US-Japan and U.S.-South Korea alliances as key elements of the U.S. strategic presence in the region.
- ii. Working more constructively with regional institutions such as APEC and ASEAN. The U.S. should also consider greater flexibility in participating in new regional groupings such as the East Asia Summit.
- iii. Improving and expanding these traditional alliances and partnerships to help strengthen U.S. standing and leadership in the region and demonstrate the U.S. commitment and interest in the concerns and priorities of its Asian partners.
- iv. Being aware of the changing self-consciousness of the region by working more closely with regional organizations and leading countries like China. In this manner, the U.S. should help regional states strengthen their collective capability to “govern” the region, which would help reduce possible Asian dissatisfaction with the U.S. involvement in the Asia-Pacific.

Likewise, further improving bilateral relations with China necessitates the following:

- i. The U.S. should focus on creating more common values with China, which will help China participate in the international system. With economic and security cooperation being the major focus, the U.S. should encourage China to further open its market to foreign companies, engage in development programs, and expand exchanges between military officials and security experts from other countries.
- ii. The U.S. should sustain bilateral dialogue and multilateral initiatives with China, both at the senior and policy implementation levels. Washington's renewed activism in the region will create greater interaction with Chinese policymakers. Thus, the U.S. should seize the opportunities to work collaboratively with China in addressing regional concerns as the denuclearization process on the Korean Peninsula and other transnational challenges.

- iii. As a form of goodwill and a manifestation of its commitment to greater transparency between the U.S. and China's military forces, the U.S. could explore the possibility of having the PLA participate, even only as an observer, in the joint military exercises that the U.S. military undertakes with its Asian partners.
- iv. The U.S. should be careful when addressing issues such as democracy, human rights, religious freedom, minority rights, etc. The U.S. should encourage China to afford more freedom to nongovernmental organizations (NGOs) working within China and helping the Chinese government address social and economic problems facing the Chinese people.

Bilateral relations between the U.S. and China will focus to a great extent on managing potential conflicts in the Asia-Pacific. In this regard, the U.S. should have a deeper understanding about North Korea, Taiwan, and Southeast Asia to enhance cooperation with China on those issues.

- i. Regarding the North Korea problem, the U.S. should continue to coordinate policy with China within the Six-Party Talks framework. The recent showdown with the North triggered by its threat to reactivate its nuclear program reminded all parties that the complete denuclearization of North Korea will require a long period of time and patient diplomacy. The rumors about Kim Jong-il's deteriorating health have also raised concerns about potential instability and proliferation. China is presumed to have more contacts and information about the motivations of Kim Jong-il's regime, and therefore, cooperation with China is necessary. However, conflict prevention and stability management can be achieved by mitigating the security dilemmas felt by all the regional actors. Above all, Japan is suspicious of China's influence over the Korean Peninsula. Combined with strong nationalism, South Korea may claim a stake over the North Korean issue. For those reasons, we recommend that the U.S. government utilize the Six-Party framework to coordinate its North Korea policy with China while minimizing opposition from Japan and South Korea.
- ii. The U.S. should ensure substantive communication with China to reduce misperception and unexpected surprises in handling the Taiwan Strait issue. With growing Taiwanese identity, both the U.S. and China need to realize that it is in their interests to negotiate with Taiwan to settle the cross-Strait relationship as soon as possible. To bring both sides to the negotiating table, the U.S. should maintain good relationships with both China and Taiwan, providing a greater sense of security for Taiwan while at the same time assuring Beijing that Taipei will not seek independence. The next four years will be a good opportunity for progress in this issue. The U.S. should encourage the establishment of a comprehensive Confidence Building Mechanism, institutionalize communication channels, and facilitate high-level exchanges between two sides. The U.S. should also persuade China that incorporating Taiwan into regional and international systems will be in Beijing's interest as this could help moderate or dissuade Taiwan from pursuing independence.

- iii. In the same manner, the U.S. should create mechanisms to ensure that standing issues China has with its Southeast Asian neighbors do not result in conflict. The U.S. should strongly communicate to China that it is in China's interest not to pursue aggressively its claim over the South China Sea and that the more productive route is to pursue joint development and management of the area. The trilateral undertaking among China, Vietnam, and the Philippines to jointly explore the area for potential resources is a good starting point. Similar efforts should be encouraged. The U.S. should realize that good relations between China and its Southeast Asian neighbors would not mean a smaller role, or less space and influence for the U.S. in Southeast Asian affairs.

Finally, U.S.-China relations seem to have long been defined and seen in terms of a "traditional" balance of power approach. There are new challenges, however, that require both sides' cooperation.

- i. The U.S. and China should work closely in addressing nontraditional security issues such as climate change and energy security, humanitarian assistance and disaster response, and anti-terrorism initiatives in international organizations. Toward this end, U.S. and Chinese scientists and experts should work together in crafting joint proposals on those issues.
- ii. The U.S. can work with China to establish a regional disaster relief network that would coordinate multilateral cooperation throughout Asia and the U.S. Early warning systems and networks should also be established or improved in Asia. The U.S. should actively provide China with assistance and share its experience on disaster relief and preventive measures. Cooperation between the Chinese government and the U.S. military in delivering goods to the Chinese people during the Sichuan earthquake in 2008 is an example of future cooperation.
- iii. Energy-saving techniques and green technology are important for China's future. The U.S. should encourage the development of talent in this field, working with Japan. Environmental protection is a region wide issue that the U.S. and China can work together on to establish channels of transferring green environment techniques to other Asian countries.

APPENDIX A

About the Authors

Mr. Justin BISHOP is pursuing an MA in Diplomacy and Military Studies at Hawaii Pacific University with a focus on Chinese energy security and its implications for the global security environment. Justin is working at the Asia Pacific Center for Security Studies as a Research Assistant. He also works at Cubic Applications as a research analyst. Previously, Justin served as a research assistant at Pacific Forum CSIS. Mr. Bishop worked on a wide variety of projects including: Chinese energy security, the CSCAP WMD Handbook, military modernization throughout Asia, and South/ Southeast Asia terror issues.

Ms. Shiuan-Ju CHEN is the 2008-2009 Pacific Forum Vasey Fellow from Taipei, Taiwan. She received her B.A. in Political Science from National Taiwan University in 2005 and her M.A. in International Affairs from the Elliott School of International Affairs, at the George Washington University in 2007. Prior to working at Pacific Forum, Ms. Chen interned with CSIS in Washington D.C. and the Institute for National Policy Research in Taiwan. Her research interests include Taiwan domestic politics, China's transition and reform, and cross-Strait relations.

Ms. Dianna HUMMEL is a master's candidate at Hawaii Pacific University in Diplomacy and Military Studies and the University of Hawaii, Manoa in Asian Studies. Her research interest focuses on Sino-Japanese relations and the U.S.-Japan Alliance. She joined the Asia Pacific Center for Security Studies as a research assistant in May 2006 and had worked on projects involving Chinese separatist moments in Xinjiang and Tibet, China-Japan-U.S. Trilateral confidence and security building measures, Japan's security and foreign relations in Asia, and Sino-Japanese energy relations.

Mr. Chin-Hao HUANG is a Research Associate (Office of the Director) with the Stockholm International Peace Research Institute (SIPRI), Stockholm, Sweden. Previously, he was a research assistant with the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), Washington, D.C., U.S.A. He led the CSIS China-Africa project, a multi-year initiative examining Chinese intentions, policies, and practices in Africa and implications for U.S. strategic interests, and co-authored several reports, monographs, and book chapters on China-Africa-U.S. relations. Mr. Huang has also presented conference papers and published other works on Chinese foreign and security policy. Prior to CSIS, he served as executive director for the Georgetown International Relations Association, a nonprofit organization based in Washington, D.C. His research interests include East Asian security issues and Chinese foreign policy.

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Ms. LI Fan is Executive Director of Global Links Initiative, a nonprofit organization on social inclusion and citizen empowerment themes beginning from a Japan-China-U.K. dimension. Ms. Li first worked with nonprofit organizations in 1999 as an intern at Japan NPO Center, a national infrastructure nonprofit organization based in Tokyo. Later she joined the organization as program associate and was responsible for international programs on capacity building of NPOs and collaboration with governments and corporate entities. She was also the coordinator of the Nonprofit Organizations National Network on Law and Tax System Reform. Prior to Japan NPO Center, Fan worked for Shimizu Corporation Shanghai Branch from 1994 to 1999. Fan holds an M.A. in international relations from Waseda University (Japan). Prior to this, she studied Public Administration in Leiden University (the Netherlands) and received her B.A. from Suzhou University with a major in Japanese literature.

Mr. Raymund Jose G. QUILOP is an Assistant Professor of Political Science at the University of the Philippines, a Senior Researcher/Analyst of the Office of Strategic and Special Studies, Armed Forces of the Philippines. His areas of interest include the ASEAN Regional Forum (ARF), Association of Southeast Asian Nations (ASEAN), regional security, preventive diplomacy, Philippine relations with the U.S. and China, disarmament issues, democracy and the process of democratization, civil-military relations in the Philippines, and the Mindanao conflict in the Philippines. He serves as an associate editor of the *Philippine Political Science Journal*, an internationally refereed journal published by the Philippine Political Science Association and editor-in-chief of the OSS quarterly journal, the *OSS Digest*. He holds a Masters Degree in Political Science from the University of the Philippines where he also obtained his Bachelor's Degree in Political Science (Summa Cum Laude) in 1995.

Mr. Qinghong WANG is a doctoral candidate in Political Science at the University of Hawaii-Manoa, is a Pacific Forum Young Leader, and was a 2006-2007 Vasey Fellow. He is from Beijing, China. Mr. Wang received his B.A. in Chinese Language and Literature from Beijing University in 1999 and an M.A. in Chinese Studies and an M.A. in Political Science both from the University of Hawaii in 2003. He previously worked as a language instructor at UH, the Japan-American Institute of Management Science, and the United States Air Force Academy's Chinese Language Immersion Program.

Ms. Shanshan WANG is a Pacific Forum CSIS 2008 Vasey Fellow. She has also been working actively as a Pacific Forum Young Leader since 2006. She received both her bachelor's degree in diplomacy and master's degree in international relations from China Foreign Affairs University. She was a student fellow at the Asia Pacific Leadership Program at East-West Center in Hawaii from 2006-2007. She worked as liason officer at the Boao Forum for Asia, interned with the People's Bank of China and Boston Consulting Group and traveled extensively in the Asia Pacific region. Shanshan is a free-lance translator and interpreter and has published four translation works in China. Most recently, she has been involved in China's carbon emission trading market and conducted research on China's climate change policy. Her research interest is in China's foreign policy, China's domestic politics, and East Asian security.

APPENDIX B

**Fudan University
Pacific Forum CSIS
The CNA Corporation
Institute for Defense Analyses**

The 8th dialogue on
“Sino-U.S. Relations and Regional Security”

**August 13-15, 2008
DoubleTree Alana Waikiki Hotel, Honolulu, Hawaii**

AGENDA

Wednesday, Aug. 13

6:30PM **Opening reception/dinner – Hotel Pool Deck (Mezzanine Level)**

Thursday, Aug, 14

8:30 AM **Continental Breakfast – Room 303**

9:00AM **Introduction and Opening Remarks**
Presenters: Wu Xinbo, Ralph Cossa

9:15AM **Session 1: Developments in Regional Security and Bilateral Relations**

This session provides an overview of developments since we last met. What events and trends are shaping the regional security outlook? How does each country interpret and assess them? What is the status of Sino-Japanese dialogue and overtures? What has been the impact of the Beijing Olympics? What is the status of the bilateral China-U.S. relationship? How successful has the Strategic Dialogue process been? How can it be improved? How have these talks influenced regional dynamics? What is the relationship between strategic economic and military dialogue? Has there been any progress on the military transparency issue?

Moderator: Tao Wenzhao
Presenters: Wu Xinbo, Phillip Saunders

10:30AM Coffee Break

10:45AM **Session 2: Energy and Environmental Issues**
How does each side assess recent developments related to energy and environmental security? What are the key issues in regional energy security?

How are the Shanghai Cooperation Organization and the East Asia Summit addressing energy security? What are the implications of increased reliance on nuclear power for proliferation of fissile material? How does each side assess the prospects for cooperation on the Bali Roadmap on climate change? What are prospects for cooperation in energy and environmental security?

Moderator: Michael McDevitt

Presenters: Zha Daojiong, Chris McNally

12:00PM **Lunch – J Bistro (Lobby Level)**

1:30PM **Session 3: Developments and Prospects in Cross-Strait Relations**

How does each side assess recent developments in cross-Strait relations? What are the prospects for reducing political tensions over the next several years? What practical steps can be taken to re-invigorate cross-strait dialogue? Are cross-Strait confidence building measures possible? Desirable? What role can and should the U.S. play in the cross-Strait dialogue? How does each side define “status quo”? Is it realistic to maintain a “status quo” strategy?

Moderator: Shen Dingli

Presenters: Xin Qiang, Denny Roy

3:00PM Coffee Break

3:30PM **Session 4: Korean Peninsula Issues**

How do the two sides view developments on the Korean Peninsula? What are the desired outcomes for the Six-Party Talks? What are the prospects for continued cooperation on the denuclearization issue? What does Washington expect from Beijing? What does Beijing expect from Washington? Are these expectations realistic? Do we have a common definition of what constitutes success or failure? How has the change in governments in South Korea affected the Six-Party Talks? How does each side view recent developments in U.S.-South Korea military cooperation?

Moderator: Ralph Cossa

Presenters: Xia Liping, Scott Snyder

5:00PM Adjourn

6:30PM **Reception/dinner – Hotel Pool Deck (Mezzanine Level)**

Friday, Aug. 15

8:30 AM **Continental Breakfast – Room 303**

9:00AM

Session 5: Northeast Asia Security Architecture

How do the two sides assess the current security architecture in Northeast Asia? What's the impact of China's growing influence in the region? How does the Japanese effort to become a "normal country" affect the regional architecture? What are the implications of East Asian economic integration? What role should the U.S. bilateral alliances play in the security architecture? What role should the Shanghai Cooperation Organization play in the regional architecture? What are the prospects for the development of a regional peace and security regime emerging from the Six-Party Talks?

Moderator: Ding Xinghao

Presenters: Xu Hui, Mike McDevitt

10:15AM

Break

10:30AM

Session 6: The Next U.S. Administration and Its China Policy

What are the respective positions of the Democratic and Republican candidates on China? What are their major concerns and priorities in relations with China? Is it possible to avoid the usual turbulence in bilateral relations at the beginning of the new administration? How can we secure a smooth transition of China policy to the next administration?

Moderator: Scott Snyder

Presenters: Tao Wenzhao, Robert Sutter

12:00PM

Lunch - J Bistro (Lobby Level)

1:30PM

Session 7: Looking Ahead

This session will look at the future of the relationship. What are the major challenges? What are the prospects and avenues for future cooperation? Attention should be given to issues that will unite or divide the two countries and examine ways both sides can build a more solid relationship. What can track two do? Where should this dialogue go?

Moderator: Yu Bin

Presenters: Shen Dingli, Ralph Cossa

3:30PM

Adjourn

4:00PM

Young Leaders Session